

Health

The President's 2007 Budget continues the successful pro-growth policies that have encouraged robust economic growth and job creation. A strong economy, together with spending restraint, is critical to reducing the deficit. The Budget builds on last year's successful spending restraint by again holding the growth of overall discretionary spending below inflation, proposing to reduce non-security discretionary spending below the previous year's level, and calling for the elimination or reduction of programs not getting results or not fulfilling essential priorities. Like last year, the budget proposes savings and reforms to mandatory spending programs, whose unsustainable growth poses the real long-term danger to our fiscal health.

To make our economy stronger, the President believes we must make health care more affordable, ensure workers can find affordable care, and give families greater access to good coverage and more control over their health decisions. The 2007 Budget furthers the President's commitment to extend the benefits of modern medicine, control the rising costs of medical care, and give more Americans access to health insurance.

The President's FY 2007 Budget:

- Builds on the President's health insurance reform proposals to promote Health Savings Accounts (HSAs) and to expand coverage to more Americans with limited incomes.
- Proposes a new financing measure to strengthen Medicare's sustainability.
- Continues the President's November 1, 2005, commitment to obtain \$7.1 billion from the Congress to improve pandemic influenza preparedness.
- Provides nearly \$160 million to support advanced development of biodefense countermeasures to be considered for procurement under Project BioShield.
- Provides access to health care through more than 300 new and expanded Health Center sites, including 80 new sites in counties that have a high prevalence of poverty.

Supporting Affordable Health Care:

- The Budget highlights the President's comprehensive, patient-focused plan to help reduce the rising cost of health care and to improve health quality and safety. These reforms will provide new and affordable health coverage options for all Americans—targeted to those who need it most: low-income children and families, the chronically ill, employees of small businesses, and the self-employed.
- The plan includes:
 - **Encouraging Health Savings Accounts:**
 - **Tax Parity** – High-deductible health plans would be more affordable if there were tax parity between employer-sponsored insurance and insurance purchased by individuals. The Budget proposes to allow all individuals who purchase a high-deductible health plan in conjunction with an HSA to deduct the amount of the health plan's premium from their income and payroll taxes. Additionally, income tax deductible contributions to an individual's HSA would also be exempt from payroll taxes, which are paid by almost all workers.

- **Increasing the maximum contribution** – Under this proposal, a person could contribute—without paying income or payroll taxes on the contribution—up to the plan’s out-of-pocket maximum, which is generally higher than the deductible.
 - **Portable HSA-qualified high-deductible health plans** – The Budget proposes to increase portability of health insurance by allowing employers to offer and employees to select portable HSA-compatible health plans. These policies would not be subject to onerous State mandates or regulations and would build on the proposal to create a national marketplace for health insurance.
 - **Reforming the Health Insurance Market:**
 - **Association Health Plans (AHPs)** – To improve access to health benefits for workers in small businesses, the President has called for legislation to create Association Health Plans (AHPs), which would allow small businesses to join together through industry and professional associations to purchase affordable health benefits for their workers. In addition, the President supports expanded AHPs, which would be available to civic, faith-based, and community organizations.
 - **Permitting the Purchase of Health Insurance Across State Lines** – The Administration proposes creating a national marketplace to allow individuals to shop for the best buy on health coverage no matter which state they live in.
 - **Focusing on the Chronically Ill:**
 - **Grants to States** – \$500 million annually for which States will compete to fund innovative ways to promote affordable insurance among the chronically ill.
 - **HSA Contributions** – The 2007 Budget proposes to change “comparability” rules to allow employers to contribute additional amounts to the HSAs of chronically-ill employees or their dependents.
 - **Addressing the Uninsured:**
 - **Cover the Kids** – \$100 million annually in grants for a national outreach campaign to enroll additional eligible children in Medicaid and SCHIP through combining the resources of the Federal Government, States, schools, and community organizations.
 - **Tax credit for low-income individuals** – The 2007 Budget proposes the creation of a refundable tax credit that would be available to those buying an HSA-compatible high-deductible health plan.

Strengthening Biodefense and Food Defense:

- Nearly \$1.9 billion for the National Institutes of Health (NIH) to invest in research for biodefense countermeasures, helping create promising products to protect Americans against the threat of a terrorist attack. These include:
 - Nearly \$50 million for chemical countermeasure development and \$47 million for radiological and nuclear countermeasure development;
 - Nearly \$160 million for advanced development of medical countermeasures against threats of bioterrorism.
- \$70 million for a mass casualty care initiative to address the type of medical response needs seen during Hurricane Katrina. This initiative includes:
 - \$50 million to purchase and store deployable medical care units, including medical supplies and equipment that the Federal Government can deliver to an affected area.

- \$20 million to enhance the Medical Reserve Corps and provide prior training and verification of credentials to ensure the availability of health care providers during such an emergency.
- \$1.3 billion to bolster State, local, and hospital preparedness, including
 - \$25 million for a targeted, competitive demonstration program to establish a state-of-the-art emergency care capability in one or more metropolitan areas.
- \$242 million for the Food and Drug Administration (FDA), of which \$178 million is for food defense. This represents a \$20 million increase for food defense that the FDA will use to develop testing methods to identify the presence of contamination quickly and accurately, and to improve its ability to respond once an incident has occurred. Each of these activities will be coordinated with USDA, which will invest an additional \$322 million in 2007, to protect the food and agriculture supply from terrorist attacks.

Improving Community Health Centers:

- \$2 billion to complete the President's commitment to create 1,200 new or expanded Health Center sites and make progress on establishing a Health Center or rural clinic in every high-poverty county in America that lacks a Health Center and can support one. Through this funding, 1.2 million additional individuals will receive health care in 2007 through sites in rural areas and underserved urban neighborhoods.

Improving Medicare and Medicaid:

- **Medicare** – The FY 2007 Budget includes proposals to save an estimated \$36 billion over five years in Medicare. The key to preserving the promise of Medicare for America's seniors and disabled is to enhance the long-term fiscal solvency of the program. The FY 2007 Budget includes proposals that would strengthen Medicare's financial viability, encouraging prudent choice of health care needs by beneficiaries. The proposals would reduce excessive government spending and save money for most beneficiaries, while also encouraging providers to increase productivity and efficiency. The Administration wants to ensure that Medicare continues to provide quality care to current and future beneficiaries. These proposals would:
 - increase competition in the payment and acquisition of medical items and services
 - encourage providers to become more efficient and productive in the delivery of care
 - support beneficiaries who are most able to pay to contribute more for their health care costs
 - promote beneficiary receipt of care in the most appropriate medical settings, and
 - reduce improper payments.
- **Medicaid** – The Budget projects that \$2.8 trillion in Federal dollars will be spent over the next decade on Medicaid's mission of providing needed medical services to low-income Americans. Over that same period, reforms proposed in the 2007 Budget will save almost \$12 billion. In 2007, Medicaid is projected to provide health coverage and services to nearly 53 million low-income children, pregnant women, elderly, and disabled individuals.

Promoting Health Information Technology:

- The President's budget would help meet his goal of assuring most Americans have electronic health records by 2014.
- \$169 million to accelerate progress in Health Information Technology (HIT), including:

- \$116 million for the Office of the National Coordinator for Health Information Technology to address barriers to the adoption of interoperable health information technology nationally, which will reduce costs and medical errors, improve quality, and produce greater value for health care expenditures.
- \$50 million for the Agency for Healthcare Research and Quality to extend State contract work for HIT demonstrations and initiate an Ambulatory Patient Safety Program that will speed the adoption of health information technology in ambulatory settings while increasing our understanding of the tools and processes needed to optimize the intersection between improved care and health IT implementation.
- \$3.5 million in the Office of the Assistant Secretary for Planning and Evaluation for tracking and analyzing national HIT adoption rates.

Battling HIV/AIDS and Addiction:

- \$4 billion for the President's Emergency Plan for AIDS Relief, an increase of more than \$740 million, to further strengthen international efforts to combat AIDS through support for comprehensive prevention strategies and lifesaving treatments.
- \$188 million for a domestic initiative to focus Federal resources on HIV-testing, medical care, and outreach, with the goal of getting medicine to those who need it, and sharply increasing testing to reduce transmission and the future burden of the disease. This includes \$70 million to help States end the waiting list for AIDS medication. The Budget also calls for reauthorization of the Ryan White CARE Act, making it more responsive to the HIV/AIDS epidemic today and the African-American and other minority communities who disproportionately suffer from the disease.
- \$98 million for grants to States and Tribal Organizations to provide Access to Recovery Vouchers, which enable addicted and recovering individuals to personally choose from a range of effective treatment and recovery support options, including faith-based and community providers. Within this amount, \$25 million will be targeted to help individuals recover from methamphetamine abuse.

Protecting the Nation from the Threat of an Influenza Pandemic:

- \$2.3 billion for pandemic influenza preparedness, including investment in international health surveillance and containment efforts; medical stockpiles; the domestic capacity to produce emergency supplies of pandemic vaccine and antiviral medications; and preparedness at all levels of government. This is in addition to two emergency supplemental requests that also contributed to pandemic influenza prevention and preparedness.
- \$48 million for global disease surveillance and control;
- \$474 million across the Government to further improve readiness;
- \$352 million for continued implementation of the pandemic influenza preparedness plan at HHS. Of this,
 - \$188 million will allow the Centers for Disease Control and Prevention (CDC) to improve public health surveillance both domestically and abroad, establish quarantine stations, develop diagnostic tests to identify potential pandemic influenza strains rapidly, and work with foreign governments to help prevent the spread of a pandemic;
 - \$35 million for NIH to conduct clinical trials of pandemic influenza vaccine;
 - \$50 million for the FDA to improve the Agency's ability to review new pandemic influenza vaccines and drugs rapidly while assuring their safety and effectiveness, and to maintain a

library of virus strains to facilitate the rapid manufacture of vaccines as the virus evolves;
and

- \$79 million in the HHS Office of the Secretary for international activities for development and deployment of rapid tests for detection, and risk communication.